

Senator Wayne L. Niederhauser proposes the following substitute bill:

TAX AMENDMENTS

2007 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Wayne L. Niederhauser

House Sponsor:

LONG TITLE

General Description:

This bill amends the Single Rate Individual Income Tax Act.

Highlighted Provisions:

This bill:

- ▶ provides and modifies definitions;
- ▶ reduces the tax rate from 5.35% to 5%;
- ▶ enacts a nonrefundable tax credit allowed on the basis of:
 - the deductions a person claims; and
 - personal exemptions;
- ▶ phases out the nonrefundable tax credit at certain income levels;
- ▶ requires the apportionment of the nonrefundable tax credit for a nonresident individual or part-year resident individual; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill has retrospective operation for taxable years beginning on or after January 1, 2007.



26 **Utah Code Sections Affected:**

27 AMENDS:

28 **59-10-1202**, as enacted by Chapter 2, Laws of Utah 2006, Fourth Special Session

29 **59-10-1203**, as enacted by Chapter 2, Laws of Utah 2006, Fourth Special Session

30 ENACTS:

31 **59-10-1206.1**, Utah Code Annotated 1953

32 **59-10-1206.9**, Utah Code Annotated 1953

33

34 *Be it enacted by the Legislature of the state of Utah:*

35 Section 1. Section **59-10-1202** is amended to read:

36 **59-10-1202. Definitions.**

37 As used in this part:

38 (1) "Military service" is as defined in Pub. L. No. 108-189, Sec. 101.

39 (2) "Servicemember" is as defined in Pub. L. No. 108-189, Sec. 101.

40 (3) "State income tax percentage for a nonresident individual" means a percentage
41 equal to a nonresident individual's adjusted gross income for the taxable year received from
42 Utah sources, as determined under Section 59-10-117, divided by the difference between:

43 (a) the nonresident individual's total adjusted gross income for that taxable year; and

44 (b) if the nonresident individual described in Subsection (3)(a) is a servicemember, the
45 compensation the servicemember receives for military service if the servicemember is serving
46 in compliance with military orders.

47 (4) "State income tax percentage for a part-year resident individual" means, for a
48 taxable year, a fraction:

49 (a) the numerator of which is the sum of:

50 (i) for the time period during the taxable year that the part-year resident individual is a
51 resident, the part-year resident individual's total adjusted gross income for that time period; and

52 (ii) for the time period during the taxable year that the part-year resident individual is a
53 nonresident, the part-year resident individual's adjusted gross income for that time period
54 received from Utah sources, as determined under Section 59-10-117; and

55 (b) the denominator of which is the difference between:

56 (i) the part-year resident individual's total adjusted gross income for that taxable year;

57 and

58 (ii) if the part-year resident individual is a servicemember, any compensation the
 59 servicemember receives for military service during the portion of the taxable year that the
 60 servicemember is a nonresident if the servicemember is serving in compliance with military
 61 orders.

62 [~~4~~] (5) "State taxable income" means a resident or nonresident individual's adjusted
 63 gross income after making the:

64 (a) additions and subtractions required by Section 59-10-1204; and

65 (b) adjustments required by Section 59-10-1205.

66 [~~5~~] (6) "Unapportioned state tax" means the product of the:

67 (a) difference between:

68 (i) a nonresident individual's state taxable income; and

69 (ii) if the nonresident individual described in Subsection [~~5~~] (6)(a)(i) is a
 70 servicemember, compensation the servicemember receives for military service if the
 71 servicemember is serving in compliance with military orders; and

72 (b) percentage listed in Subsection 59-10-1203(2)(a)(i)(B).

73 Section 2. Section **59-10-1203** is amended to read:

74 **59-10-1203. Single rate tax for resident or nonresident individual -- Tax rate --**

75 **Contributions -- Exemption -- Amended returns.**

76 (1) For taxable years beginning on or after January 1, 2007, a resident or nonresident
 77 individual may calculate and pay a tax under this section as provided in this part.

78 (2) (a) A resident individual that calculates and pays a tax under this section:

79 (i) shall pay for a taxable year an amount equal to the product of:

80 (A) the resident individual's state taxable income for that taxable year; and

81 (B) [~~5.35%~~] 5%; and

82 (ii) is exempt from paying the tax imposed by Section 59-10-104.

83 (b) A nonresident individual that calculates and pays a tax under this section:

84 (i) shall pay for a taxable year an amount equal to the product of the nonresident
 85 individual's:

86 (A) unapportioned state tax; and

87 (B) state income tax percentage for the nonresident individual; and

88 (ii) is exempt from paying the tax imposed by Section 59-10-116.

89 (3) Except as required by Section 59-10-1204 or 59-10-1205, a resident or nonresident
90 individual that calculates and pays a tax under this section may not make any addition or
91 adjustment to or subtraction from adjusted gross income.

92 (4) A resident or nonresident individual that calculates and pays a tax under this
93 section may designate on the resident or nonresident individual's individual income tax return
94 for a taxable year a contribution allowed by:

95 (a) Section 59-10-530;

96 (b) Section 59-10-530.5;

97 (c) Section 59-10-547;

98 (d) Section 59-10-549;

99 (e) Section 59-10-550;

100 (f) Section 59-10-550.1; or

101 (g) Section 59-10-550.2.

102 (5) This section does not apply to a resident or nonresident individual exempt from
103 taxation under Section 59-10-104.1.

104 (6) (a) A resident or nonresident individual may determine for each taxable year for
105 which the resident or nonresident individual files an individual income tax return under this
106 chapter whether to calculate and pay a tax under this section as provided in this part.

107 (b) If a resident or nonresident individual files an amended return for a taxable year
108 beginning on or after January 1, 2007, the resident or nonresident individual may determine
109 whether to calculate and pay a tax under this section as provided in this part for that taxable
110 year.

111 Section 3. Section **59-10-1206.1** is enacted to read:

112 **59-10-1206.1. Definitions -- Nonrefundable taxpayer tax credits.**

113 (1) As used in this section:

114 (a) "Claimant" means a resident or nonresident individual that has state taxable income
115 under this part.

116 (b) "Head of household filing status" means a head of household, as defined in Section
117 2(b), Internal Revenue Code, who files a single return.

118 (c) "Joint filing status" means:

- 119 (i) a husband and wife who file a single return jointly; or
120 (ii) a surviving spouse, as defined in Section 2(a), Internal Revenue Code, who files a
121 single return.
- 122 (d) "Single filing status" means:
123 (i) a single individual who files a single return; or
124 (ii) a married individual who:
125 (A) does not file a single return jointly with that individual's spouse; and
126 (B) files a single return.
- 127 (2) Except as provided in Section 59-10-1206.9 and subject to Subsections (3) through
128 (5), for taxable years beginning on or after January 1, 2007, a claimant may claim a
129 nonrefundable tax credit against taxes otherwise due under this part equal to the sum of:
- 130 (a) (i) for a claimant that deducts the standard deduction on the claimant's federal
131 individual income tax return for the taxable year, 6% of the amount the claimant deducts as
132 allowed as the standard deduction on the claimant's federal individual income tax return for
133 that taxable year; or
- 134 (ii) for a claimant that itemizes deductions on the claimant's federal individual income
135 tax return for the taxable year, the product of:
- 136 (A) the difference between:
137 (I) the amount the claimant deducts as allowed as an itemized deduction on the
138 claimant's federal individual income tax return for that taxable year; and
139 (II) any amount of state or local income taxes the claimant deducts as allowed as an
140 itemized deduction on the claimant's federal individual income tax return for that taxable year;
141 and
- 142 (B) 6%; and
- 143 (b) 6% of the total amount the claimant would have been allowed to claim as a
144 personal exemption deduction on the claimant's state individual income tax return had the
145 claimant filed an individual income tax return under Part 1, Determination and Reporting of
146 Tax Liability and Information, for the taxable year.
- 147 (3) A claimant may not carry forward or carry back a tax credit under this section.
148 (4) The tax credit allowed by Subsection (2) shall be reduced by \$.015 for each dollar
149 by which a claimant's state taxable income exceeds:

150 (a) for a claimant who has a single filing status, \$14,000;

151 (b) for a claimant who has a head of household filing status, \$21,000; or

152 (c) for a claimant who has a joint filing status, \$28,000.

153 (5) (a) For taxable years beginning on or after January 1, 2009, the commission shall

154 increase or decrease the following dollar amounts by a percentage equal to the percentage

155 difference between the consumer price index for the preceding calendar year and the consumer

156 price index for calendar year 2007:

157 (i) the dollar amount listed in Subsection (4)(a); and

158 (ii) the dollar amount listed in Subsection (4)(b).

159 (b) After the commission increases or decreases the dollar amounts listed in Subsection

160 (5)(a), the commission shall round those dollar amounts listed in Subsection (5)(a) to the

161 nearest whole dollar.

162 (c) After the commission rounds the dollar amounts as required by Subsection (5)(b),

163 the commission shall increase or decrease the dollar amount listed in Subsection (4)(c) so that

164 the dollar amount listed in Subsection (4)(c) is equal to the product of:

165 (i) the dollar amount listed in Subsection (4)(a); and

166 (ii) two.

167 (d) For purposes of Subsection (5)(a), the commission shall calculate the consumer

168 price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.

169 Section 4. Section **59-10-1206.9** is enacted to read:

170 **59-10-1206.9. Apportionment of tax credit.**

171 A nonresident individual or a part-year resident individual that claims a tax credit in

172 accordance with Section 59-10-1206.1 may only claim an apportioned amount of the tax credit

173 equal to:

174 (1) for a nonresident individual, the product of:

175 (a) the state income tax percentage for the nonresident individual; and

176 (b) the amount of the tax credit that the nonresident individual would have been

177 allowed to claim but for the apportionment requirements of this section; or

178 (2) for a part-year resident individual, the product of:

179 (a) the state income tax percentage for the part-year resident individual; and

180 (b) the amount of the tax credit that the part-year resident individual would have been

181 allowed to claim but for the apportionment requirements of this section.

182 Section 5. **Retrospective operation.**

183 This bill has retrospective operation for taxable years beginning on or after January 1,

184 2007.